

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03  
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02  
LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 PA-01  
PRS-01 AGRE-00 /080 W  
-----020354 095363 /66

R 011735Z MAR 77

FM AMEMBASSY SANTO DOMINGO

TO SECSTATE WASHDC 9828

INFO AMEMBASSY PORT AU PRINCE

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E.O. 11652: N/A

TAGS: EFIN, DR

SUBJECT: BALAGUER IN ANNUAL SPEECH IS GUARDEDLY OPTIMISTIC ON  
ECONOMY

REF: SANTO DOMINGO 948

1. IN HIS ANNUAL INDEPENDENCE DAY ADDRESS PRESIDENT  
BALAGUER EXPRESSED GUARDED OPTIMISM ABOUT THE DOMINICAN  
ECONOMY FOR 1977. HE SAID THE SQUEEZE OF FALLING SUGAR  
PRICES AND RISING PETROLEUM COSTS WOULD BE IN PART OFFSET  
BY GREATER EARNINGS FROM TOURISM AND MINERAL EXPORTS.

2. BALAGUER AFFIRMED THAT THE 1976 BALANCE-OF-PAYMENTS  
DEFICIT WAS ONLY \$30 MILLION; AND THAT THE GROWTH IN REAL  
GNP LAST YEAR WAS 5.4 PERCENT; WITH THE AGRICULTURAL  
SECTOR GROWING AT 12.7 PERCENT. NOTHING WAS SAID ABOUT  
THE INFLATIONARY RATE.

3. WITH CONSIDERABLE PRIDE BALAGUER POINTED OUT THAT  
40 PERCENT OF THE CENTRAL GOVERNMENT'S EXPENDITURES WAS  
GOING INTO INVESTMENT. HE ANTICIPATED PROGRESS IN  
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AGRARIAN REFORM AS A RESULT OF NEW LARGE TRACTS OF IRRI-  
GATED LAND TO BE OPENED IN THE NEXT TWO YEARS BY GOVERN-  
MENT CONSTRUCTION OF NEW LARGE DAMS AND IRRIGATION SYSTEMS.

4. BALAGUER DEVOTED A LONG SECTION OF SPEECH TO THE  
EXTERNAL PUBLIC DEBT, NOTING THAT A LARGE PROPORTION OF  
IT WAS CONTRACTED BY PREVIOUS ADMINISTRATIONS. HE QUOTED

A CENTRAL BANK FIGURE SHOWING THE EXTERNAL PUBLIC DEBT AS \$413 MILLION, BUT ADDED THAT THIS FIGURE WAS NOT STRICTLY ACCURATE BECAUSE IT INCLUDED LOANS CONTRACTED BUT NOT YET DRAWN DOWN. IN A SEPARATE PASSAGE HE PUT THE EXTERNAL PUBLIC DEBT FIGURE AT \$198 MILLION. HE MADE NO MENTION OF DEBTS CONTRACTED BY AUTONOMOUS AGENCIES AND COMMERCIAL ENTERPRISES OWNED BY THE STATE.

5. COMMENT: IN RECENT WEEKS CENTRAL BANK OFFICIALS HAVE STATED PRIVATELY THAT THE 1976 BALANCE OF PAYMENTS WOULD TURN OUT TO BE ONLY \$30 TO 50 MILLION (SEE 76 SANTO DOMINGO 6161). A \$30 MILLION BALANCE-OF-PAYMENTS DEFICIT FOR 1976 SEEMS LOW. NET FOREIGN EXCHANGE HOLDINGS FOR THE COUNTRY AT THIS TIME ACCORDING TO A RELIABLE CENTRAL BANK SOURCE ARE \$14 MILLION. THE BALANCE OF PAYMENTS IS BEING HELPED BY GROWING TOURISM, RISING COFFEE PRICES, AND RECENT INCREASES IN THE PRICE OF GOLD. THESE, HOWEVER, WILL NOT BE SUFFICIENT TO OFFSET DEPRESSED SUGAR PRICES AND RISING PETROLEUM IMPORT COSTS. SINCE THE FIRST OF THE YEAR THE PESO ON THE PARALLEL MARKET HAS WEAKENED SLIGHTLY TO RD\$1.20-1.21 TO THE DOLLAR. CONSEQUENTLY, THE BALANCE-OF-PAYMENTS OUTLOOK THIS YEAR IS NOT ALL THAT GOOD, WITH MORE MEASURES RESTRICTING IMPORTS PROBABLY IN THE OFFING.

6. THE 12.7 PERCENT FIGURE FOR THE GROWTH OF THE AGRICULTURAL SECTOR IS HIGH BECAUSE THE SECTOR IS RECOVERING FROM A SERIOUS DROUGHT OF 1975. THE GNP GROWTH FIGURE OF 5.4 PERCENT IS PROBABLY ON THE HIGH SIDE WITH HALF THAT LIMITED OFFICIAL USE

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FIGURE BEING MORE LIKELY. THE WITHHOLDING OF SUGAR SALES FOR FIVE MONTHS AND THE NEAR COLLAPSE OF THE ELECTRICAL SYSTEM WERE BIG FACTORS IN SLOWING DOWN THE GROWTH RATE. INFLATION APPEARS TO BE IN RANGE OF 10 TO 15 PERCENT FOR 1976.

7. THE DISPROPORTIONATE AMOUNT OF THE SPEECH DEVOTED TO THE EXTERNAL PUBLIC DEBT REFLECTS BALAGUER'S EXTREMELY CONSERVATIVE IDEAS ON FINANCING (ALONG WITH A DESIRE TO SHOW HIS MASTERY OF THE COUNTRY'S FINANCIAL SITUATION). THERE HAS BEEN LITTLE CRITICISM ON FOREIGN DEBT. BALAGUER'S PRIDE IN HIS ADMINISTRATION'S LARGE PUBLIC INVESTMENTS IN THE COUNTRY'S INFRASTRUCTURE IS JUSTIFIED. HURWITCH

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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